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INTRODUCTION.

The existence of the following Letters, now first printed from the original manuscripts in the possession of the British Museum, ¹ is several times intimated in McCulloch's formal writings. "The Literature of Political Economy" (1845) contains a paragraph from Letter XXI (p. 93, below). Brief extracts from Letters VI and VIII (pp. 24, 30) are inserted in the biographical sketch prefixed to McCulloch's edition of Ricardo's "Works" (1846). The same memoir, slightly enlarged, in McCulloch's "Treatises and Essays" (1853), contains additional excerpts from Letters XXVII and XXXVII (pp. 116, 151), and a sentence from Letter V (p. 17) is quoted in the account of McCulloch's life inserted in the 1869 edition of the "Commercial Dictionary."

The history of the collection may thus be traced with some certainty. The various citations from single Letters and the present excellent condition of the manuscripts, including seals² and covers, suggests careful preservation and orderly arrangement by McCulloch. At his death in 1864, the Letters passed into the hands of his executors, thence into the possession of Mr. Hugh G. Reid, the last survivor of this body, for many years the secretary of McCulloch, and author of the account of his life noted above. In April, 1894, the

¹ The Letters have been carefully mounted and well-bound in a separate volume, Add. MSS. 34.545.

² Ricardo used two seals indifferently : (a) Initials D. R. surmounted by a chess rook sa., between two bezants ; (b) Gu., a bend, vairé, arg. and vert, between three garbs, or, on a chief, ermine, a chess rook sa., between two bezants.

collection was presented by Mr. Reid to the British Museum. It is possible that a letter here and there has been lost. At least one serious gap occurs (p. 138). In the main however, the collection in the form in which it is here presented, may be taken as essentially complete.

The correspondence tells its own story. The earliest Letters (I, II) are in acknowledgement of Ricardo's heterodox writings on the national debt. Regular correspondence followed McCulloch's unqualified acceptance of Ricardo's thought,—indicated by laudatory notices of the "Principles of Political Economy and Taxation," and of the "Proposals for an Economical and Secure Currency" in the *Edinburgh Review* in 1818 (pp. 9, 17). Thereafter the Letters occur in natural sequence and discussion centres in Ricardo's formal writing and parliamentary activity, and in McCulloch's numerous contributions to the *Edinburgh Review*, the "Supplement to the Encyclopædia Britannica" and the *Scotsman* newspaper.

The correspondence represents in large part the entire intercourse of Ricardo and McCulloch. Actual acquaintance did not occur until McCulloch's visit to London and to Gatcomb Park, in the spring of 1823. Then indeed McCulloch made good use of his opportunities. Mrs. Grote tells of dinners at "Threddle" where Mill, Ricardo and McCulloch have interminable discussions upon the measure of value.¹ Ricardo wrote to Hutches Trower of McCulloch's presence at a meeting of the Political Economy Club in London and described him as "the writer of many able articles. . . an agreeable well-informed man."² Even James Mill was moved by the bluff heartiness of the Scotch economist, and wrote

¹ Bain, "James Mill," p. 208.

² Letter of Ricardo to Trower, July 24, 1823.

to Macvey Napier: "Few men have ever made a more favorable impression upon me. I like, and I admire him exceedingly."¹ But this was in the late summer of 1823, and Ricardo was then walking in the shadow of the Dark Valley, and McCulloch had long been in thought and in writing essentially a Ricardian.

Personal intimacy was thus the result not the cause of the correspondence. In consequence, fewer details of Ricardo's private life are disclosed in these Letters than in the longer correspondence with Malthus or in the closer interchange with Hutches Trower. Ricardo's love of quiet and domestic life (p. 114), his warm hospitality at Gatcomb Park (p. 152), his lively interest in political affairs and his sincere enthusiasm in economic discussion appear by intimation rather than in detail. Yet essential characteristics of his personality are repeatedly suggested. As an author, he is firmly convinced of the main truth of the doctrines he has formulated; but he recognizes the inadequacy of his exposition in certain directions and avoids dogmatism throughout (pp. 48, 96, 105). He realizes the awkwardness and imperfection of his style (p. 46, 86) and the absence of systematic arrangement in his speaking and writing (pp. 99, 106, 118). This habitual modesty tends to become self-depreciation and distrust of native power. An apologetic phrase describes the ovation with which his first important speech in the House is received (p. 30). He consents with reluctance to the publication of the laboriously written article on the Sinking Fund (p. 46). Even when the monetary policy of the country has been shaped largely by his recommendations,² he assents

¹ Bain, "James Mill," p. 208.

² See Note, page 26; for "59 Geo. III. c. 78" on line 4, read "59 Geo. III. c. 49," and for "1 and 2 Geo. IV. c. 26" on line 22, read "59 Geo. III. c. 23."

to Brougham's heated characterization and laments that he is treated as a visionary and an ultra-reformer (p. 75). In other places he displays less uncommon traits. McCulloch's unstinted praise awakens the pride of authorship (pp. 10, 22). Gratified acceptance is expressed of Mill's and McCulloch's discipleship (p. 11). Contemporary writings and writers—Malthus, Say, Sismondi, Brougham, Blake—are criticized with freedom and vigor, and although critical examination of his own writings is invited and utilized, the results are never allowed to override his own deliberate judgment (pp. 13-14).

The period of the Correspondence is in the main that of Ricardo's parliamentary career. Brougham has told us of the distinguished reputation which had preceded Ricardo in the House and something of what was there awaited of him. The time in which Ricardo actually took his seat was most opportune for in some measure realizing these expectations. Currency and resumption were engaging general attention. Secret committees had been appointed in both Houses to inquire into the affairs of the Bank, and McCulloch in the *Edinburgh Review* had called attention anew to Ricardo's plan of bullion payments. Ricardo was summoned before each committee, was examined at length, and the reports presented were essentially recommendations of his plan. He rose for his first important speech in the debate upon Peel's resolutions, after being 'loudly called from all sides of the House' (p. 24), and he figured soon thereafter in debate as 'one of the highest authorities on questions of political economy in the kingdom.'¹

But McCulloch's assent to Ricardo's plan for "an economical and secure currency" was too unequivocal

¹ Hansard, "Parliamentary Debates," vol. x1, 1219 (June 18, 1819).

to encourage further correspondence after the passage of the Resumption Act. More fruitful subject for discussion and explanation was afforded by Ricardo's opinions, real and reported, upon the nature and remedy of the general industrial depression and the acute agricultural distress, which characterized the years of his political career and formed the chief occasion of his parliamentary activity. Ricardo's attitude was throughout eminently consistent. Even those who like Attwood¹ differed with him the most and considered his opinions the most mischievous, imputed to them this virtue. As occasion demanded, one phase or another of his exposition was emphasized; but his essential views underwent little change and were advanced upon every possible occasion, at the expense of much reiteration in the House, and of more misrepresentation and abuse without. Other topics—parliamentary reform, Queen Caroline, the monetary standard, fiscal rearrangement—are referred to in these Letters, but in less connected manner, and interest centres in the subject first named.

The effective cause of industrial distress, Ricardo conceived, was the disproportion between capital and population. To some extent this insufficiency of capital was natural and inevitable. The population of England was increasing and the supply of land was limited. In consequence profits tended to fall and capital inclined to leave the country. But the desire to remain in one's country was strong and largely counteracted this latter evil (p. 100). Indeed no serious harm would be wrought but for the fact that the natural tendencies to "the abduction of capital" were heightened in effect by the force of certain artificial ones. These were: (*a*), the

¹ Hansard, "Parliamentary Debates," vol. vii (N. S.), 379 (May 7, 1822).

corn laws, which enhanced the price of necessities, raised wages and reduced profits; (*b*) restraints upon trade, which operated as a drag upon industry and discouraged the influx of capital; (*c*) the national debt, of which the interest charge had become an intolerable burden and tended to drive capital from the country (p. 47).

These several causes operated to produce general industrial depression. The peculiar distress of agricultural interests was due to the added misfortune of a period of disastrously low prices, brought about by the extension of agriculture, the introduction of improvements, a succession of good harvests and heavy imports from Ireland (p. 127). The agricultural situation was simply one of enormously increased supply with no corresponding vent (p. 99). The passage of the act for the resumption of cash payments had effected a reduction of perhaps five per cent. in general prices and the subsequent unnecessary purchases of gold by the Bank had probably increased this to ten per cent.; but beyond this the fall in the price of corn could not be explained as the effect of currency changes (p. 119). Nor was taxation alone responsible. Certain charges, such as the poor-rate and the tithe, did bear exclusively upon the agricultural interest; but in the main taxation was a common burden and could not explain the distress of a particular class (pp. 99, 126).

In so far as the distress of the agriculturist was peculiar, it was temporary and tended to work its own correction. Radical legislation was unnecessary and mischievous (p. 127). On the other hand, no absolute or lasting improvement was possible as long as the conditions of general industrial depression remained unchanged. The remedial course to be pursued was then

clear. The corn laws should be repealed, not immediately, nor entirely; but a gradual reduction should be made, extending over a term of years, until a mere countervailing duty, *i. e.*, a charge equivalent to the special burdens upon the agriculturist, was reached (pp. 51, 58, 98). Upon exportation a corresponding bounty should be allowed (p. 102). Less productive capitals would thus be withdrawn from agriculture and invested in more profitable industries. Profits would rise and capital would flow into the country (p. 100). A similar stimulus to industry and consequent increase in available capital would result from the removal of all restraints upon trade, made gradually so as to provide, in so far as possible, for vested interests. Finally, the beneficial effect of these changes would be tremendously heightened by the extinction, wholly or in part, of the national debt. This could be accomplished by an assessment upon the general wealth of the country—upon fundholder as well as land owner,—spread if necessary over a term of years and involving payment to the fundholder at the market, not at the par value, of his securities (p. 50, 81–82),

The occasion of the correspondence, it has been said, was largely a common interest in economic study. Accordingly there are few Letters in the series which are not more or less concerned with economic discussion and exposition. The topics considered are for the most part those suggested by the varied writings and activities of the two men,—the reduction of interest upon the national debt, variations in the monetary standard, inviolability of a sinking fund, a par of exchange, revenue by taxation or funding, the incidence of a tax upon wages, a measure of value, machinery and the demand for labour.

It would be misleading to summarize the economic

contents of the correspondence in a series of controversial propositions, as Dr. Bonar has helpfully done with Ricardo's Letters to Malthus. There were fundamental differences, consciously recognized as such, in the economic thought of Ricardo and Malthus. But already in 1818, in reviewing the "Principles of Political Economy and Taxation" in the *Edinburgh Review*, McCulloch expressed entire agreement with the body of Ricardo's economic thought: 'Mr. Ricardo has done more for the improvement of political economy than any other writer with perhaps the single exception of Dr. Smith' (p. 10, below). Thenceforth the tenor of his numerous economic contributions indicated how unqualified was his assent to what Malthus called the "new doctrines." On his part Ricardo was eminently content with McCulloch's exposition: "You have given"—he wrote of the Encyclopædia article on 'Political Economy'—"so clear an exposition of all the important principles of the science that you have left nothing for me to wish for" (p. 144). Ricardo was not wont to plume himself; but he took the keenest satisfaction in McCulloch's economic conversion and regarded it as "no mean triumph" (p. 11) to have won over a rising economist, "a sincere lover and seeker of truth,"¹ whose fluent pen was constantly active in disseminating "the sound principles" (p. 118) and in forwarding "the good cause" (p. 75).

The essentially different temper of the two minds led inevitably to minor differences of opinion, to which their exact agreement upon fundamental principles rendered each keenly sensitive. To Ricardo such differences seemed to indicate obscurity in his own exposition or positive error in McCulloch's reasoning. To McCulloch

¹ Letter of Ricardo to Hutches Trower, July 24, 1823.

they suggested Ricardo's unwarranted change from the received doctrine of his earlier writings.

To both the impulse to detect the real error and to re-establish unanimity was thus strong, and the most characteristic passages of the Letters in their economic aspect, are those wherein Ricardo attempts by clearer exposition or more detailed argument to persuade McCulloch or to vindicate his own thought. Omitting the dissent from McCulloch's earlier views on the national debt, the more or less dialectical discussion upon a par of exchange, and Ricardo's justification of his attitude upon the agricultural question,—there are at least three topics upon which difference of opinion gives rise to more or less prolonged discussion: (1) the incidence of a tax upon wages, (2) the influence of machinery upon the demand for labor, and (3) a measure of value.

Of the two writers it is surprising to find McCulloch maintaining the less rigid and absolute theory of the incidence and economic effect of a tax upon wages and necessities. The difference arose largely from the distinct points of view from which the same problem was regarded. Ricardo, urging the advantage of meeting heavy expenditures by taxation within the year instead of by funding, emphasized the ultimate effect of such a tax upon the labouring classes—interference with the accumulation of capital. McCulloch, examining the causes of prevailing industrial distress, insisted upon its immediate influence—necessary abandonment by the labourer, of comforts and conveniences hitherto enjoyed. Brought face to face with the question, Ricardo was as far from asserting that a tax upon wages or necessities never fell upon the labourer, as from declaring that wages never rose above the necessary minimum. But even in such cases the mischief, he contended, was

temporary. The value of labor, as of all things was influenced by "contingent" as well as by "immediate" supply and demand, and a compensatory rise in wages took place long before positive depopulation, incident upon a reduced standard, compelled it (pp. 58, 60, 74).

In the Advertisement to the third edition of the "Principles," and in the added chapter (xxxix, "On Machinery"), Ricardo acknowledged frankly and in detail his changed views on the relation of machinery to the demand for labour. It has been evident from passages in a letter of Ricardo to Malthus that the change did not meet with McCulloch's approval.¹ But the present correspondence makes clearer how deeply the soul of the Scotch economist was harrowed at the fancied apostasy. A twelvemonth earlier Ricardo had explicitly stated that the demand for labor was never diminished by the employment of machinery (p. 57). Nothing more than bare intimation of a radical change in view preceded actual transmission of the printed chapter, and the effect upon McCulloch was dismay and indignation. In forwarding the volume, Ricardo invited criticism (p. 103); and McCulloch replied in no uncertain tone (p. 105). Ricardo's response was characteristically modest but firm, and the vindication which accompanied it helpfully supplements the formal exposition of his changed thought. The issue having been clearly defined, further discussion was by tacit consent omitted. But Ricardo lost no legitimate opportunity to reassert his opinion (p. 136), and McCulloch's attitude had in 1825 so far changed that he could speak of the "Case supposed by Mr. Ricardo, with respect to Machinery" as "possible, but exceedingly unlikely ever to occur."²

¹ "Letters of Ricardo to Malthus" (ed. Bonar), p. 184.

² "Principles of Political Economy," p. 165.

The closing letters of Ricardo's correspondence with Malthus indicate the marked dissatisfaction of the writer with a rigid quantity-of-labor measure of value. Clear trace of this is to be found in the successive editions of the "Principles." But the present correspondence, in its explicit and detailed recognition of the co-ordinate influence of production-time in determining relative value, affords the fullest vindication of that more generous interpretation of Ricardo's terse statements of the causes of variations in the relative value of commodities, which has contributed to "rehabilitate" Ricardo. The immediate occasion of the ready avowal of the inadequacy of the proposed measure with respect to the time element in production, was afforded by the attacks of Torrens and Malthus (pp. 14, 64). The increment of value, which came from mere passage of time—illustrated by the fermentation of wine or the growth of a tree—remained an unsurmountable barrier to the universal validity of the labor measure (p. 153). McCulloch's devices of treating profit as the wages of accumulated labor, or wages as potential capital, appeared forced and unnatural (p. 175). Long and repeated consideration, continued up to the eve of his death, left Ricardo convinced that a perfectly accurate measure of value was an impossibility, and that choice was afforded only amongst confessedly imperfect ones (p. 176). The proposed measures of Malthus, Mill and McCulloch were each in turn criticised for their pretensions rather than for their inherent error.

In editing the following Letters, essential annotations have been supplemented in places by additional matter of immediate relevance, and by occasional cross-references to other writings of Ricardo, including his unpub-

lished correspondence with Hutches Trower. In the main, however, the inviting attempt to bring the contents of the correspondence into precise relation with Ricardo's general thought and writing has been left to an independent study, now in preparation, of the life and work of Ricardo.

The task of annotation has been facilitated by the promptness and courtesy with which many inquiries in various directions have been answered. In certain cases where the debt is peculiar, specific mention has been made below. The careful transcript of the Letters from the original manuscripts was made by Miss Violet A. Simpson of Kensington, London. Above all the editor desires to indicate his cordial appreciation of the encouragement and aid extended throughout by Dr. James Bonar of London.